

Message Text

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USIA-06 EB-08 COME-00 TRSE-00 OMB-01 AID-05 STR-06
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R 131438Z JAN 78

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 413

INFO AMEMBASSY BELGRADE

AMEMBASSY BERLIN (BY POUCH)

AMEMBASSY BRUSSELS (BY POUCH)

AMEMBASSY BUCHAREST (BY POUCH)

AMEMBASSY MOSCOW (BY POUCH)

AMEMBASSY PRAGUE (BY POUCH)

AMEMBASSY SOFIA (BY POUCH)

AMEMBASSY WARSAW (BY POUCH)

USMISSION USNATO (BY POUCH)

C O N F I D E N T I A L SECTION 1 OF 3 BUDAPEST 228

BELGRADE ALSO FOR CSCE DELEGATION

USEEC

E.O. 11652: GDS

TAGS: CSCE EEWT OVIP (VANCE, CYRUS) PGOV SCUL HU US

SUBJECT: THE SECRETARY RETURNS THE CROWN OF ST STEPHEN

1. SUMMARY: THE UNITED STATES RETURNED THE CROWN OF ST STEPHEN TO HUNGARY JAN 6 IN THE MOST IMPORTANT STEP TAKEN IN HUNGARIAN-AMERICAN RELATIONS IN RECENT YEARS. ITS RETURN WAS ACCEPTED BY HUNGARIAN GOVERNMENT AND PEOPLE ALIKE AS AN INDICATION OF IMPROVED RELATIONS. THE GOVERNMENT GAVE FULL PUBLICITY TO THE CROWN'S RETURN AND DEMONSTRATED ITS DEISRE TO PERPETUATE THE CROWN AS A SYMBOL OF NATIONAL SOVEREIGNTY AND UNITY. THE SECRETARY AND MEMBERS
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OF THE U.S. DELEGATION RETURNING THE CROWN HAD A SERIES OF USEFUL MEETINGS WITH HUNGARIAN OFFICIALS AND RELIGIOUS LEADERS INCLUDING CARDINAL LEKAI, WHO EXPRESSED THEIR GRATITUDE FOR PRESIDENT CARTER'S DECISION AND MANY OF WHOM WERE HOPEFUL THAT PROBLEM OF MFN COULD SOON BE RESOLVED.

2. AS PLANNED, THE 25-MEMBER U.S. DELEGATION ARRIVED WITH THE CROWN, 2130, JAN 5, AND WAS WELCOMED BY DEPUTY PRESIDENT OF PARLIAMENT JANOS PETER AND OTHER IMPORTANT HUNGARIAN OFFICIALS. THE CROWN WAS OFF-LOADED SMOOTHLY AND TAKEN TO NATIONAL ASSEMBLY WHERE SYMBOLIC AMERICAN CUSTODY WAS MAINTAINED UNTIL THE TURNOVER CEREMONIES AT 1600, JAN 6. THE ARRIVAL WAS COVERED BY HUNGARIAN RADIO AND TV WITH THE DELAYED COVERAGE ON THE EARLIEST REGULARLY SCHEDULED NEWCAST.

3. AT 1300, JAN 7, SECRETARY VANCE ARRIVED AT THE AIRPORT WHERE HE WAS MET BY FONMIN FRIGYES PUJA. THE SECRETARY, AFTER A LUNCH AT RESIDENCE WITH DELEGATION, PROCEEDED TO PARLIAMENT FOR THE RETURN CEREMONIES. BEFORE CEREMONIES HE AND U.S. DELEGATION MET WITH APRO AND IN CORDIAL ATMOSPHERE EXCHANGED LETTERS RELEASING EACH GOVERNMENT FROM CLAIMS AGAINST THE OTHER IN CONNECTION WITH CROWN.

4. THE CEREMONIES IN CENTRAL HALL OF PARLIAMENT WENT OFF FLAWLESSLY BEFORE AN AUDIENCE OF THE TWO COUNTRY'S DELEGATIONS, AMERICAN EMBASSY DIPLOMATIC AND LOCAL PERSONNEL, SOME 200 REPRESENTATIVES OF THE HUNGARIAN PEOPLE AND THE INTERNATIONAL AND HUNGARIAN PRESS. THE CEREMONIES WERE COLORFUL AND DIGNIFIED, WORTHY OF THE HISTORIC EVENT TAKING PLACE. THEY WERE COVERED IN CONFIDENTIAL

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THEIR ENTIRETY BY RADIO AND TV WHOSE DELAYED 40-MINUTE BROADCASTS WERE PRESENTED AT 1830 JUST AFTER MOST HUNGARIANS HAD RETURNED HOME FROM WORK.

5. THE OFFICIAL HUNGARIAN DELEGATION WAS CHOSEN, LIKE THE U.S. DELEGATION, TO BE REPRESENTATIVE OF THE PEOPLE. A SPRINKLING OF HIGH GOVERNMENT OFFICIALS WERE JOINED BY MEMBERS OF PARLIAMENT, LEADERS OF EACH RELIGIOUS DENOMINATION, THE MAYOR OF BUDAPEST AND THE DEPUTY PRESIDENT OF THE PEOPLE'S PATRIOTIC FRONT (PPF). THE APPROXIMATELY 200 INVITED HUNGARIAN GUESTS ALSO INCLUDED SUBSTANTIAL NUMBERS OF MP'S, CLERGY AND LAY RELIGIOUS LEADERS, AND GOVERNMENT OFFICIALS. IN ADDITION, IT INCLUDED REPRESENTATIVES OF THE TRADE UNIONS, THE NATIONAL PEACE COUNCIL, THE COUNCIL OF HUNGARIAN WOMEN, THE ARMED FORCES, YOUTH ORGANIZATIONS, THE WORLD FEDERATION OF HUNGARIANS, THE PPF, OUTSTANDING FACTORY AND AGRICULTURAL WORKERS, AND PERSONALITIES FROM THE ACADEMIC, SCIENTIFIC AND ART WORLDS. A JEWISH RELIGIOUS LEADER LATER REMARKED THAT IT WAS THE FIRST TIME EVER IN HUNGARY THAT LEADERS OF ALL RELIGIOUS FAITHS HAD BEEN TOGETHER IN A CEREMONY ASSOCIATED WITH THE CROWN AND

ONE OF THE RARE OCCASIONS WHEN THEY ALL MET TOGETHER. AUDIENCE WHICH ALMOST FILLED HALL TO CAPACITY COULD HARDLY HAVE BEEN MORE REPRESENTATIVE. ALSO BEFITTING THE NATIONAL CHARACTER OF THE CROWN RETURN CEREMONIES, AND UNDOUBTEDLY TO TAKE ACCOUNT OF AMERICAN SENSIBILITIES, NO RED FLAGS WERE IN EVIDENCE AT THE AIRPORT OR THE PARLIAMENT, ONLY THE HUNGARIAN FLAG.

6. SECRETARY VANCE'S SPEECH EFFECTING THE CROWN'S RETURN STRESSED TRADITIONAL HUNGARIAN-AMERICAN TIES AND THE LINK BETWEEN THIS EVENT AND IMPROVED RELATIONS BILATERALLY AND IN CSCE CONTEXT. APRO'S SPEECH RECEIVING THE CROWN WAS MOST IMPORTANT HUNGARIAN PUBLIC DECLARATION OF THIS THREE-DAY EVENT. APRO FIRST STATED HE WAS
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HONORED TO RECEIVE CROWN AND CORONATION REGALIA IN "NAME OF HUNGARIAN PEOPLE." HE ADDED THAT THE FUNDAMENTAL CHANGE IN HUNGARY'S FORM OF GOVERNMENT AND SOCIAL SYSTEM DID NOT DIMINISH HUNGARIAN PEOPLE'S RESPECT AND APPRECIATION OF THE NATIONAL RELICS AS SYMBOLS OF STATEHOOD. HE EXPRESSED APPRECIATION TO PRESIDENT CARTER AND PEOPLE OF UNITED STATES, EXPRESSED HIS CONVICTION THAT THE POLICY OF FRUITFUL COOPERATION BETWEEN

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C O N F I D E N T I A L SECTION 2 OF 3 BUDAPEST 228

COUNTRIES OF DIFFERENT SOCIAL SYSTEMS IS ONLY POSSIBLE ROAD, AND MAINTAINED RETURN OF CROWN ILLUSTRATES WELL FAVORABLE DEVELOPMENT OF WORLD SITUATION AND WITHIN THIS HUNGARIAN-AMERICAN RELATIONS. HE CONCLUDED: "WE ARE READY TO FURTHER DEVELOP OUR RELATIONS THE CONDITIONS OF WHICH ARE CONSIDERABLY IMPROVED BY THE EVENT OF THIS DAY." HE ALSO AFFIRMED THAT RETURN OF CROWN "CORRESPONDS TO THE SPIRIT OF THE HELSINKI FINAL ACT."

7. FOLLOWING CEREMONIES, SECRETARY AND U.S. DELEGATION MET WITH HUNGARIAN PRESIDENT LOSONCZI (BUDAPEST 0104 NOTAL). SECRETARY DELIVERED A LETTER FROM PRESIDENT CARTER TO PRESIDENT LOSONCZI. SENATOR STEVENSON AND CONGRESSMAN HAMILTON SPOKE, STATING U.S. CONGRESS FULLY SUPPORTED PRESIDENT CARTER IN HIS DECISION TO RETURN
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CROWN. LOSONCZI SOUNDED AGAIN THEMES OF THANKS AND WISH FOR FURTHER IMPROVEMENT IN RELATIONS. HE HOPED AMERICANS OF HUNGARIAN HERITAGE WOULD FEEL WELCOME TO RETURN TO HUNGARY. HE CONFIRMED HUNGARIAN WISH TO IMPLEMENT HELSINKI FINAL ACT, SAYING HUNGARY HAD NOT SIGNED THAT DOCUMENT IN ORDER TO LEAVE IT TO FUTURE GENERATIONS TO CARRY OUT.

8. WHILE CELEBRATION CONTINUED IN HALL OF PARLIAMENT, SECRETARY VANCE ALSO MET PRIVATELY WITH PRIME MINISTER LAZAR (BUDAPEST 0103 NOTAL). LAZAR STATED HIS WISH TO FIND MUTUALLY ACCEPTABLE SOLUTION TO THE MFN ISSUE. AGAIN GRATITUDE WAS EXPRESSED FOR CROWN'S RETURN. LAZAR SUGGESTED REINFORCEMENT OF HIGH-LEVEL BILATERAL CONTACTS. HE ALSO SAID THAT HUNGARY PLACES GREAT EMPHASIS ON IMPORTANCE OF IMPROVED U.S.-SOVIET RELATIONS.

9. DINNER WAS HOSTED NIGHT OF JAN 6 BY APRO IN HONOR OF U.S. DELEGATION. APRO AND SECRETARY VANCE EXCHANGED TOAST ALONG SAME LINES OF SPEECHES MADE EARLIER IN DAY.

10. ON JAN 7, BEFORE HIS NOON DEPARTURE FROM HUNGARY, SECRETARY MET WITH FONMIN PUJA AND ALSO GAVE PRESS CON-

REFERENCE AT HILTON HOTEL BEFORE 100 REPRESENTATIVES OF FOREIGN AND HUNGARIAN PRESS. PUJA ASKED FOR AND RECEIVED BRIEFING ON MIDDLE EAST SITUATION. HE THANKED SECRETARY FOR HIS ROLE IN RETURN OF CROWN AND IN IMPROVING RELATIONS, NOTED U.S. AND GOH POSITIONS WERE GROWING CLOSER ON MFN, AND ALSO RAISED QUESTION OF HIGH-LEVEL EXCHANGES. PUJA MADE MENTION OF CSCE, MBFR, AND FINE PROSPECTS FOR FURTHER DEVELOPMENT U.S.-HUNGARIAN RELATIONS (BUDAPEST 0105 NOTAL).
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11. THE SECRETARY OPENED HIS PRESS CONFERENCE WITH A BRIEF STATEMENT ON THE SIGNIFICANCE OF THE RETURN OF THE CROWN. SENATOR STEVENSON AND MONSIGNOR HIGGINS ALSO MADE STATEMENTS. QUESTIONS FROM THE PRESS CONCERNED THE CROWN, BILATERAL RELATIONS, ESPECIALLY MFN, THE MIDDLE EAST AND CSCE. THE SECRETARY ACKNOWLEDGED THAT HE HAD HAD DISCUSSIONS WITH HUNGARIAN OFFICIALS CONCERNING MFN AND EXPRESSED THE HOPE PROGRESS WOULD BE MADE ON THAT ISSUE (BUDAPEST 0107).

12. ON JAN 7, COUNSELOR NIMETZ MET WITH THE HEAD OF HSWP CENTRAL COMMITTEE FOREIGN AFFAIRS DEPARTMENT JANOS BERECH (BUDAPEST 0161). BERECH MADE ONCE AGAIN SAME POINTS MADE BY GOH OFFICIAL CONCERNING DESIRE TO MOVE FORWARD ON HUNGARIAN-AMERICAN RELATIONS AND GRATITUDE FOR RETURN OF CROWN. HE ALSO NOTED HUNGARY'S GOOD RECORD ON HUMAN RIGHTS AND SAID FIRST SECRETARY KADAR SAW LINK BETWEEN HUMAN RIGHTS AND DETENTE.

13. OTHER DELEGATION MEMBERS WERE ALSO ACTIVE. ON MORNING OF JAN 6, SENATOR STEVENSON, CONGRESSMAN HAMILTON, DELMEMBER ELSON, RABBI BAQMRIER, HIGGINS AND FATHER BARONI MET WITH CARDINAL LEKAI. LEKAI TOLD HIS GUESTS CATHOLICS WELCOMED WITH GREAT PLEASURE RETURN OF CROWN OF ST STEPHEN. ON CHURCH-STATE RELATIONS, HE SAID HUNGARIANS DO NOT EAT COMMUNIST BREAD AND THEY DO NOT EAT CHURCH BREAD; THEY EAT HUNGARIAN BREAD. THE CHURCH AND STATE CAN WORK TOGETHER ON PRACTICAL MATTERS BUT THERE CAN BE NO COMPROMISE ON MATTERS OF PRINCIPLE, LEKAI STRESSED. THE CHURCH RECOGNIZES STATE IS TRYING TO ENCOURAGE ATHEISM BUT BY SAME TOKEN, CHURCH STRIVES TO MAINTAIN THE FAITH, LEKAI ADDED.

14. IN ADDITIONAL MEETINGS, SENATOR STEVENSON MET WITH JANOS SZITA OF SECRETARIAT FOR INTERNATIONAL
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ECONOMIC RELATIONS, WITH JANOS FEKETE OF NATIONAL BANK AND ATTENDED LUNCH AT RESIDENCE WITH HUNGARIAN ECONOMIC OFFICIALS. DEPUTY FOREIGN MINISTER ALSO HOSTED A DINNER IN HIS HONOR. STEVENSON HAD AN INTERVIEW PUBLISHED IN ECONOMIC DAILY VILAGGAZDASAG. IN HIS TALKS, SENATOR DISCUSSED WITH HUNGARIANS THEIR INTEREST IN EXPORT-IMPORT BANK CREDITS AND PARTICIPATION IN IMP/WORLD BANK. WHILE HUNGARY WISHED TO AND WOULD HAVE LITTLE DIFFICULTY MEETING CONDITIONS OF IMF MEMBERSHIP, OFFICIALS TOLD STEVENSON, DECISION TO JOIN IMF WOULD HAVE TO BE COORDINATED WITH OTHER CEMA MEMBERS. STEVENSON ASSURED HUNGARIANS CONGRESS WOULD PROBABLY HAVE NO DIFFICULTY IN EXTENDING MFN TO HUNGARY.

15. IN ADDITION TO LEKAI MEETING, REP LEE H. HAMILTON (D-IND) MET WITH ODON KALLOS OF CHAMBER OF COMMERCE; JANOS BARTHA OF MFA; FRIGYES HORCHLER, OFFICE OF COUNCIL OF MINISTERS AND JANOS FEKETE OF NATIONAL BANK. BARTHA NOTED SATISFACTION WITH IMPROVEMENTS IN U.S.-HUNGARIAN RELATIONS TOGETHER WITH HOPE THAT PRESIDENT CARTER WOULD VISIT HUNGARY. KALLOS, HORCHLER AND FEKETE ATTRIBUTED

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C O N F I D E N T I A L SECTION 3 OF 3 BUDAPEST 228

IMPROVEMENTS IN HUNGARY'S AGRICULTURAL AND INDUSTRIAL PRODUCTION TO DECENTRALIZED DECISION-MAKING MECHANISMS UNDER NEM. UNFAVORABLE TRADE BALANCE, NEED FOR ADDITIONAL ADJUSTMENTS OF ECONOMIC REGULATORS, UNDEREMPLOYMENT, AND LACK OF MFN TARIFF TREATMENT WITH U.S. WERE CITED AS KEY PROBLEMS. REP HAMILTON ALSO EXPRESSED CONFIDENCE THAT THE CONGRESS WOULD FAVOR MUTUAL MFN TARIFF TREATMENT WITHIN CONTEXT OF EXISTING LEGISLATION.

16. BESIDES PARTICIPATING FULLY IN DELEGATION ACTIVITIES, CONGRESSMAN WEISS LAID A MEMORIAL WREATH JAN 8 AT A BUDAPEST CEMETARY MEMORIAL TO VICTIMS OF THE NAZI HOLOCAUST. PRESENT AT THE CEREMONY, IN ADDITION TO MEMBERS OF THE U.S. EMBASSY STAFF WERE LEADERS OF THE HUNGARIAN JEWISH COMMUNITY. ON JAN 7, CODEL WEISS
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ATTENDED SERVICES AT AND TOURED BUDAPEST'S IMPOSING CENTRAL SYNAGOGUE, AND JEWISH COMMUNITY MEMBERS HOSTED AN INFORMAL RECEPTION AND LUNCH. SENATOR STEVENSON PARTICIPATED. JAN 10, THE AMBASSADOR HOSTED A DINNER AT HIS RESIDENCE FOR CONGRESSMAN WEISS AND JEWISH COMMUNITY LEADERS. CONGRESSMAN WEISS ALSO MADE AN OVERNIGHT TRIP TO THE EAST HUNGARIAN CITY OF DEBRECEN. THE CONGRESSMAN WAS GRATIFIED AT THE EASE OF CONTACT WITH AND THE OPENNESS IN CONVERSATIONS OF MEMBERS OF THE BUDAPEST JEWISH COMMUNITY.

17. REPRESENTATIVE STARK HAD INDIVIDUAL APPOINTMENTS AT MINFORTRADE WITH JANOS NYERGES, HEAD OF THE TARIFF POLICY DEPARTMENT, AND TIBOR ANTALPETER, HEAD OF THE DEPARTMENT FOR DEVELOPED NONSOCIALIST COUNTRIES. BOTH MEN ASSURED MR STARK OF HUNGARY'S INTEREST IN EXPANDING TRADE TIES WITH THE U.S. AND STATED THAT THE HUNGARIANS WOULD BE PREPARED TO COOPERATE IN AVOIDING DISRUPTION OF U.S. MARKETS. ANTALPETER POINTED OUT THAT THE U.S. WOULD STILL RUN A LARGE BALANCE OF PAYMENTS SURPLUS WITH HUNGARY AFTER AGREEMENT ON MFN. REPRESENTATIVE STARK EXPRESSED HIS STRONG BELIEF THAT A TRADE AGREEMENT WITH HUNGARY WOULD ENCOUNTER NO SIGNIFICANT CONGRESSIONAL OPPOSITION.

18. AL THROUGH MONTH OF DECEMBER, SERIES OF ARTICLES APPEARED IN NEWSPAPERS ON HISTORY OF CROWN. JOINT AMERICAN-HUNGARIAN COMMUNIQUE ANNOUNCING FIRST DECISION TO RETURN CROWN AND LATER DATE OF RETURN AND HEAD OF

DELEGATION ALSO WERE GIVEN WIDE DISSEMINATION. PRECISE TIME OF CROWN'S RETURN WAS NEVER ANNOUNCED NOR VENUE OF CEREMONIES, BUT MANY HUNGARIANS KNEW BY WORD OF MOUTH. HUNGARIANS COULD ALSO READ IN TELEVISION PROGRAM, PUB-CONFIDENTIAL

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LISHED MORNING OF JAN 6 IN ALL PAPERS, THAT CEREMONIES WOULD BE TELECAST THAT EVENING. BUDAPEST 0118 SUMMARIZES EXTENT OF COVERAGE OF CROWN'S RETURN WHICH WAS GREAT IN ALL MEDIA. BUDAPEST 0218 SUMMARIZES CONTENT OF EDITORIALS. GENERALLY, MEDIA ACCEPTED AND FURTHERED CONCEPT OF CROWN AS A NATIONAL SYMBOL. THEY ENDORSED CONCEPT IT WAS BEING RETURNED TO PEOPLE. THEY TREATED U.S. WITH GRATITUDE THROUGHOUT, BOTH FOR ITS ROLE IN RECEIVING CROWN IN 1945, FOR SAFEGUARDING IT, AND NOW FOR RETURNING IT. PAPERS ALSO DESCRIBED THE RETURN OF THE CROWN AS VINDICATION OF HUNGARY'S FOREIGN POLICY AND SIGN OF ITS INTERNATIONAL ACCEPTANCE. MEDIA DID NOT FLINCH FROM PUBLIC MENTION OF MFN ISSUE AND REPORTED HOPES EXPRESSED BY AMERICAN AND HUNGARIAN OFFICIALS THAT PROBLEM COULD BE RESOLVED. A LUTHERAN MINISTER POINTED OUT TO DRAFTING OFFICER THAT WHEN HE LOOKED OUT OF HIS DOWNTOWN WIDNOW AT 6:40 P.M. NOT A SOUL WAS TO BE SEEN ON NORMALLY BUSY BUDAPEST STREETS. HE SAID ALL WERE INDOORS WATCHING CROWN RETURN CEREMONIES. THERE IS NO DOUBT MOST HUNGARIANS CAUGHT CEREMONIES ON RADIO OR TV.

19. DURING THE PERIOD UP TO AND INCLUDING THE CEREMONIES THE HUNGARIAN GOVERNMENT WAS MOST COOPERATIVE WITH ALL EMBASSY REQUESTS. GOH NEGOTIATED SMOOTHLY AND WITH GOOD WILL ALL THE UNDERSTANDINGS WHICH SURROUNDED THE CROWN'S RETURN, INCLUDING ARRANGING MEETINGS WITH KEY HUNGARIAN OFFICIALS FOR DELEGATION MEMBERS. EVERY EFFORT WAS MADE TO INSURE THAT THE EVENT OF THE CROWN'S RETURN WOULD TAKE PLACE IN AN ATMOSPHERE CONDUCTIVE TO DEVELOPMENT OF BETTER RELATIONS. THE CROWN'S RETURN WAS TREATED AS A HOLIDAY, THE CITY WAS LIT UP. THE MOOD WAS EUPHORIC. NOW A WEEK LATER THE CROWN IS STILL A MAJOR TOPIC OF CONVERSATION AND ALWAYS SPOKEN OF AS A SYMOBL OF NATIONALISM AND HOPE. SOUNDINGS INDICATE THAT THESE STATEMENTS APPLY TO THE YOUTH IN THE CONFIDENTIAL

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UNIVERSITIES AND ELSEWHERE AS WELL. THE MEDIA HAVE FOSTERED THIS PROCESS WITH EDUCATIONAL PROGRAMS ON TV

AND ARTICLES IN MAGAZINES CONTINUING UP TO MOMENT OF WRITING OF THIS CABLE.

20. ACCORDING TO HUNGARIAN OFFICIALS, THE CROWN WILL BE PLACED IN THE NATIONAL MUSEUM IN PEST IN TWO TO THREE WEEKS FOR ALL HUNGARIANS AND INTERESTED FOREIGNERS TO VIEW. IN ABOUT A YEAR'S TIME, IT WILL BE TRANSFERRED TO THE VAR (CASTLE DISTRICT) AND PLACED IN THE HISTORICAL MUSEUM THERE.

21. CONCLUDING COMMENT: THE RETURN OF THE CROWN WAS A MAJOR EVENT IN HUNGARIAN-AMERICAN RELATIONS. IN THE WAKE OF THIS EVENT, HUNGARIAN OFFICIALS ARE NOW LOOKING TOWARD THE RESOLUTION OF THE MFN PROBLEM AND THE DEVELOPMENT OF MORE EXTENSIVE HIGH-LEVEL CONTACTS WITH THEIR AMERICAN COUNTERPARTS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 13 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BUDAPE00228
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780021-1184
Format: TEL
From: BUDAPEST USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780166/aaaacdxq.tel
Line Count: 457
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 9629fce3-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 9
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 03 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3779218
Secure: OPEN
Status: NATIVE
Subject: THE SECRETARY RETURNS THE CROWN OF ST STEPHEN
TAGS: EEWT, OVIP, PGOV, SCUL, HU, US, CSCE, (VANCE, CYRUS R)
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/9629fce3-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014